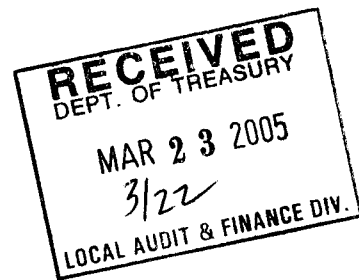


CITY OF ROOSEVELT PARK
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

November 30, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

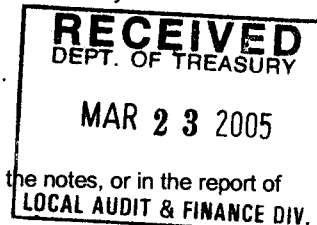
Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF ROOSEVELT PARK	County MUSKEGON
Audit Date 11/30/04	Opinion Date 1/24/05	Date Accountant Report Submitted to State: 3/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) HOFFMAN, STEENSMA & PLAMONDON, P.L.C.			
Street Address 221 W. WEBSTER AVENUE, SUITE 502		City MUSKEGON	State MI
Accountant Signature <i>Douglas A. Plamondon, CPA</i>		ZIP 49440	Date 3-22-05

CITY OF ROOSEVELT PARK

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CITY OF ROOSEVELT PARK

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the
City Council of the City of Roosevelt Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Roosevelt Park, Michigan, as of and for the year ended November 30, 2004, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Roosevelt Park, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Roosevelt Park, Michigan, as of November 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note A to financial statements, the City of Roosevelt Park, Michigan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government Omnibus* and GASB 38, *Certain Financial Statement Note Disclosures*, as of December 1, 2003.

The management's discussion and analysis and the required supplementary information on pages 6 - 13 and pages 49 - 55 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Roosevelt Park, Michigan's basic financial statements. The accompanying supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hoffman, Steensma & Plamondon, P.L.C.

January 24, 2005

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis

Year Ended November 30, 2004

Our discussion and analysis of the City of Roosevelt Park's financial performance provides an overview of the city's financial activities for the year ended November 30, 2004. Please read it in conjunction with the city's financial statements, which begin on page 14.

The changes in the enclosed audit document have been mandated by the Governmental Accounting Standards Board (GASB) Statement 34. In the first year of implementation of this standard, GASB recognizes that prior year information is not available in a similar format. Therefore, government-wide comparisons will not be available until next year.

Financial Highlights

- The city's net assets increased \$288,745 (or 5.54%) to \$5,498,694. The governmental net assets increased by \$254,495 (or 12.41%) to \$2,304,822 and the business-type net assets increased by \$34,250 (or 1.08%) to \$3,193,872. The discretely presented component unit net assets increased by \$90,499 (or 3.89%) to a deficit of \$1,464,742. This deficit is caused by the fact that the discretely presented component unit holds the outstanding debt issued for the Broadway Streetscape project.
- Total expenses of all the city's programs were \$3,251,939. Expenses of governmental activities totaled \$2,193,448 and expenses of business-type activities totaled \$1,058,491. Expenses for component unit activities were \$144,710.
- Total revenues, including all program and general revenues, were \$3,540,684. Revenues of governmental activities totaled \$2,405,198 and the revenues of business-type activities amounted to \$1,135,486. Total discretely presented component unit revenue was \$269,093. Program revenues consist of direct charges and grants and contributions that are directly attributable to specific programs or functions. General revenues are largely comprised of property taxes, state revenue sharing, cable television fees and investment activity.
- The city received a federal grant for highway planning and construction in the amount of \$222,835 from the United States Department of Transportation for reconstruction of a portion of Summit Avenue. This grant was passed through and administered by the Michigan Department of Transportation. As of November 30, 2004, \$212,097 of the federal funds have been spent.

Using this Annual Report

This annual report consists of a series of financial statements. The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting individual city operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains available for future spending.
- Proprietary fund statements offer short- and long-term financial information about activities the city operates like private businesses.

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis - Continued

Year Ended November 30, 2004

Using this Annual Report (continued)

- Fiduciary fund statements provide information about the financial relationships in which the city acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Reporting the City as a Whole

Our analysis of the city as a whole begins on page 8. One of the most important questions asked about the city's finances is, "Is the city as a whole better off or worse off as a result of the year's activities?" Since this is the first year that the City of Roosevelt Park is reporting its financial statements under the GASB 34 format, this question cannot be entirely answered due to the fact that comparison data does not exist. However, the statement of net assets and the statement of activities report information about the city as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the city's net assets and changes in them. The reader can think of the city's net assets - the difference between assets and liabilities - as one way to measure the city's financial health or financial position. Over time, increases or decreases in the city's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the city's property tax base and the condition of the city's capital assets (roads, buildings, water and sewer lines) to assess the overall financial health of the city.

In the statement of net assets and the statement of activities, the city is divided into two kinds of activities:

- **Governmental activities** - Most of the city's basic services are reported here, including public safety, general administration, parks and recreation and streets. Property taxes and state shared revenues finance most of these activities.
- **Business-type activities** - The city charges a fee to customers to help it cover all or most of the cost of certain services provided. The city's water supply and sewer disposal systems are reported here.

The statement of net assets and the statement of activities include not only the City of Roosevelt Park itself (known as the primary government), but also component units. Component units are separate legal entities for which the city has some level of financial accountability. The city has one component unit, the Downtown Development Authority (DDA). The component unit exists primarily for the issuance and repayment of debt to finance projects in the city's downtown area.

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis - Continued **Year Ended November 30, 2004**

Reporting the City's Most Significant Funds

Our analysis of the city's major funds begins on page 11. The fund financial statements begin on page 17 and provide detailed information about the most significant funds - not the city as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council has established several other funds to help it control and manage money for particular purposes. The city has the following kinds of funds:

- **Governmental funds** - Most of the city's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the city's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental funds in a reconciliation following the fund financial statements.
- **Proprietary funds** - When the city charges customers for the services it provides whether to outside customers or to other units of the city, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the city's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds, such as the city's Equipment Fund (the other component of proprietary funds) to report activities that provide supplies and services to the city's other programs and activities.
- **Fiduciary funds** - The city is the trustee, or fiduciary, for certain funds. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the city's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the city's government-wide financial statements because the city cannot use these assets to finance its operations.

The City as a Whole

The city's combined net assets increased from a year ago, increasing from \$5,209,949 to \$5,498,694. Our analysis focuses on the net assets and changes in net assets of the city's governmental and business-type activities.

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis - Continued Year Ended November 30, 2004

The City as a Whole (continued)

Net assets as of November 30, 2004, follows:

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,073,361	\$ 1,005,630	\$ 2,078,991
Capital assets	1,522,835	2,496,636	4,019,471
Total assets	\$ 2,596,196	\$ 3,502,266	\$ 6,098,462
Long-term liabilities	\$ 61,636	\$ 199,101	\$ 260,737
Other liabilities	229,738	109,293	339,031
Total liabilities	\$ 291,374	\$ 308,394	\$ 599,768
Net assets			
Invested in capital assets, net of related debt	\$ 1,522,835	\$ 2,394,950	\$ 3,917,785
Restricted	246,301	-	246,301
Unrestricted	535,686	798,922	1,334,608
Total net assets	\$ 2,304,822	\$ 3,193,872	\$ 5,498,694

Net assets of the city's governmental activities are \$2,304,822. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements amounted to \$535,686. Restricted net assets, those restricted mainly for repayment of long-term debt, capital projects and special purposes such as street maintenance or construction amounted to \$246,301.

Net assets of our business-type activities were \$3,193,872.

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis - Continued Year Ended November 30, 2004

The City as a Whole (continued)

Changes in net assets as of November 30, 2004, follows:

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues			
Charges for services	\$ 455,647	\$ 1,121,544	\$ 1,577,191
Operating grants and contributions	250,036	-	250,036
Capital grants and contributions	212,097	-	212,097
General revenues			
Property taxes	1,066,447	-	1,066,447
State shared revenues	342,175	-	342,175
Investment income	20,821	13,942	34,763
Franchise fees	36,304	-	36,304
Gain on disposal of fixed assets	6,836	-	6,836
Other	14,835	-	14,835
Transfers	42,745	(42,745)	-
Total revenues and transfers	2,447,943	1,092,741	3,540,684
Expenses			
Governmental activities			
Legislative	15,358	-	15,358
General government	575,614	-	575,614
Public safety	920,952	-	920,952
Public works	600,389	-	600,389
Recreation and culture	62,047	-	62,047
Other functions	19,088	-	19,088
Business-type activities			
Sewer	-	531,971	531,971
Water	-	526,520	526,520
Total expenses	2,193,448	1,058,491	3,251,939
Changes in net assets	254,495	34,250	288,745
Net assets at beginning of year	2,050,327	3,159,622	5,209,949
Net assets at end of year	\$ 2,304,822	\$ 3,193,872	\$ 5,498,694

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis - Continued

Year Ended November 30, 2004

The City as a Whole (continued)

Since this is the first year reporting under the GASB 34 format, there is no previous year data to compare to this year's figures. Therefore, important facts will be simply stated for both governmental and business-type activities.

Governmental Activities

The city's adjusted taxable value increased by \$3,553,884 causing an increase in property tax revenues of \$41,281.

State sales tax revenue decreased by \$33,929 due to the current economic environment and budget shortfalls at the state.

Business-Type Activities

Sewer treatment costs increased during the year due to an overabundance of rainfall in the spring and summer seasons. Many of the homes in the city have foot drains, used to drain off excess rainwater, that flow directly into the city's sewer system. Since these drains are not metered, the result was an increase in the amount of sewer treated without a corresponding increase in billed revenues.

In December of 2003, the city water supply system raised its readiness-to-serve rate approximately 60% and its commodity charge (the per unit of usage charge) from \$1.33 per 1,000 gallons to \$2.65. The result of these rate increases was an increase in charges for services revenue of \$249,166 over the prior year. This offset an increase in operating costs of \$61,502 and capital improvement costs of \$97,979. The rate increases were recommended to offset rate increases from the City of Muskegon and to make capital improvements identified in the water system reliability study that was approved by the Michigan Department of Environmental Quality.

Financial Analysis of the City's Funds

At the end of fiscal year 2004, the governmental funds reported a combined fund balance of \$611,709 which is \$18,046 less than last year.

The General Fund fund balance increased by \$7,518 due to an increase in property taxes (\$41,281), offset by decreases in state sales tax (\$33,929) and state grants (\$89,269). The increase in property tax and decrease in state sales tax revenues were discussed in earlier paragraphs. The decrease in state grants is due to Clean Michigan Initiative project grant revenue recognized in fiscal year 2003. Transfers of \$76,000 and \$23,000 from the equipment fund and the Downtown Development Authority, respectively also contributed to the fund balance increase. The transfer from the equipment fund was to reimburse the general fund for property purchased in a prior year for the new department of public works building. The transfer from the Downtown Development Authority was to reimburse the general fund for costs incurred in setting up the authority in a prior year. The fund balances of the Major Streets and the Local Streets Funds decreased by \$32,096 and increased by \$1,902, respectively. The Major Streets Fund decrease was caused mostly by costs incurred in connection with the reconstruction of Summit Avenue.

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis - Continued **Year Ended November 30, 2004**

Financial Analysis of the City's Funds (continued)

General Fund Budgetary Highlights

The general fund was able to maintain its fund balance during fiscal year 2004 through the receipt of interfund reimbursements totaling \$99,000. These one time reimbursements in the amounts of \$76,000 and \$23,000 were received from the equipment fund and the Downtown Development Authority, respectively. During 2004, the city also received the final reimbursement from the State of Michigan for the Clean Michigan Initiative project. This reimbursement of \$17,853 closes out this project. General fund expenditures followed the adopted budget with only minor deviations and no significant unanticipated costs.

Capital Asset and Debt Administration

Capital Assets

At November 30, 2004, the city had \$4,019,471 invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer lines. This amount includes a net increase (including additions and deductions) of \$433,272 or 12.08% over last year. Additional information on capital assets can be found in note C on pages 40 - 42 of the notes to the financial statements.

Long-Term Debt

At November 30, 2004, the city had \$260,737 in long-term debt outstanding. This is a decrease of \$43,563 from last year.

In addition to the city's debt, the Downtown Development Authority had debt outstanding totaling \$1,730,000. Debt issued by component units is typically secured by the full faith and credit of the city and therefore is an important consideration in assessing the city's overall fiscal health.

Additional information on long-term debt can be found in note F on pages 44 - 45 of the notes to the financial statements.

The State of Michigan statutory and constitutional debt provisions allow for debt limits of 10% of the city's assessed value. Accordingly, the city could have debt outstanding of \$10.2 million. The city is below statutory and constitutional debt limits with outstanding debt of \$260,737.

Economic Factors and Next Year's Budgets and Rates

Several actions were taken by the city council to address anticipated challenges in the coming fiscal year. The council authorized the collection of a one percent administration fee for the collection of taxes. This fee will partially offset recent decreases in state revenue sharing from the State of Michigan. This fee is expected to generate an additional \$40,000 per year for the general fund. The council also adopted water and sewer rate increases to offset increased costs of purchasing water and processing sewage.

CITY OF ROOSEVELT PARK

Management's Discussion and Analysis - Continued
Year Ended November 30, 2004

Economic Factors and Next Year's Budgets and Rates (continued)

The governor and state legislators have in recent months expressed their intent to protect state revenue sharing from additional cuts during the current and future fiscal years. Maintaining the current level of funding from the state will allow the city to identify ways to make up the lost revenue from previous years. In addition, the city must continue to take action to offset continued increases in expenses such as health insurance and other operating costs.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Office at 900 Oak Ridge Road, Roosevelt Park, Michigan 49441 or call (231) 755-3721.

CITY OF ROOSEVELT PARK

Statement of Net Assets

November 30, 2004

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (note A5 and B)	\$ 107,512	\$ 66,679	\$ 174,191
Investments (note A5 and B)	717,805	703,280	1,421,085
Receivables (note A6)			
Accounts	847	263,099	263,946
Special assessments			
Current	495	-	495
Non-current	4,418	-	4,418
Internal balances (note A6)	129,545	(129,545)	-
Due from primary government (note D)	-	-	-
Due from other governmental units	94,013	-	94,013
Inventories (note A8)	400	3,000	3,400
Prepaid items (note A8)	18,326	1,702	20,028
Wastewater facility rights (net of accumulated amortization of \$407,396) (note J)	-	97,415	97,415
	1,073,361	1,005,630	2,078,991
Capital assets (note A9 and C)			
Land, construction in progress and other assets not being depreciated	651,515	105,256	756,771
Other capital assets, net of depreciation	871,320	2,391,380	3,262,700
Total capital assets	1,522,835	2,496,636	4,019,471
TOTAL ASSETS	\$ 2,596,196	\$ 3,502,266	\$ 6,098,462

The notes to the financial statements are an integral part of this statement.

Component Unit	Total Reporting Entity
\$ 9,713 \$	183,904
99,719	1,520,804
-	263,946
-	495
-	4,418
-	-
168,076	168,076
-	94,013
-	3,400
-	20,028
-	97,415
277,508	2,356,499
-	756,771
-	3,262,700
-	4,019,471
\$ 277,508 \$	6,375,970

CITY OF ROOSEVELT PARK

Statement of Net Assets - Continued

November 30, 2004

LIABILITIES AND NET ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 43,540	\$ 18,832	\$ 62,372
Accrued liabilities	14,912	5,123	20,035
Due to component units (note D)	168,076	-	168,076
Due to other governmental units	3,210	85,338	88,548
	229,738	109,293	339,031
 Long-term liabilities (note A10, A11 and F)			
Due within one year			
Bonds payable	-	45,000	45,000
Compensated absences payable	14,847	-	14,847
Due in more than one year			
Bonds payable	-	154,101	154,101
Compensated absences payable	46,789	-	46,789
Total long-term liabilities	61,636	199,101	260,737
Total liabilities	291,374	308,394	599,768
 Net assets			
Invested in capital assets, net of related debt	1,522,835	2,394,950	3,917,785
Restricted for			
Streets and highways	246,301	-	246,301
Unrestricted	535,686	798,922	1,334,608
Total net assets	2,304,822	3,193,872	5,498,694
 TOTAL LIABILITIES AND NET ASSETS	\$ 2,596,196	\$ 3,502,266	\$ 6,098,462

The notes to the financial statements are an integral part of this statement.

Component Unit	Total Reporting Entity
\$ 250	\$ 62,622
12,000	32,035
-	168,076
-	88,548
12,250	351,281
50,000	95,000
-	14,847
1,680,000	1,834,101
-	46,789
1,730,000	1,990,737
1,742,250	2,342,018
-	3,917,785
-	246,301
(1,464,742)	(130,134)
(1,464,742)	4,033,952
\$ 277,508	\$ 6,375,970

CITY OF ROOSEVELT PARK

Statement of Activities

Year Ended November 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Legislative	\$ 15,358	\$ -	\$ -	\$ -
General government	575,614	5,065	-	-
Public safety	920,952	60,749	-	-
Public works	600,389	380,196	243,426	212,097
Recreation and culture	62,047	9,637	6,610	-
Other functions	19,088	-	-	-
Total governmental activities	2,193,448	455,647	250,036	212,097
Business-type activities				
Sewer	531,971	450,171	-	-
Water	526,520	671,373	-	-
Total business-type activities	1,058,491	1,121,544	-	-
Total primary government	\$ 3,251,939	\$ 1,577,191	\$ 250,036	\$ 212,097
Component unit				
Downtown Development Authority				
General government	\$ 23,200	\$ -	\$ -	\$ -
Public safety	30,000	-	-	-
Public works	15,960	-	-	-
Other functions	2,500	-	-	-
Interest on long-term debt	73,050	-	-	-
Total component unit	144,710	-	-	-
Total reporting entity	\$ 3,396,649	\$ 1,577,191	\$ 250,036	\$ 212,097

General revenues

Property taxes, levied for general purposes

State shared revenues

Investment income

Franchise fees

Gain on sale of capital assets

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business- Type Activities	Total	Component Units	Total Reporting Entity
\$ (15,358)	\$ -	\$ (15,358)	\$ -	\$ (15,358)
(570,549)	-	(570,549)	-	(570,549)
(860,203)	-	(860,203)	-	(860,203)
235,330	-	235,330	-	235,330
(45,800)	-	(45,800)	-	(45,800)
(19,088)	-	(19,088)	-	(19,088)
(1,275,668)	-	(1,275,668)	-	(1,275,668)
-	(81,800)	(81,800)	-	(81,800)
-	144,853	144,853	-	144,853
-	63,053	63,053	-	63,053
(1,275,668)	63,053	(1,212,615)	-	(1,212,615)
-	-	-	(23,200)	(23,200)
-	-	-	(30,000)	(30,000)
-	-	-	(15,960)	(15,960)
-	-	-	(2,500)	(2,500)
-	-	-	(73,050)	(73,050)
-	-	-	(144,710)	(144,710)
(1,275,668)	63,053	(1,212,615)	(144,710)	(1,357,325)
1,066,447	-	1,066,447	268,257	1,334,704
342,175	-	342,175	-	342,175
20,821	13,942	34,763	836	35,599
36,304	-	36,304	-	36,304
6,836	-	6,836	-	6,836
14,835	-	14,835	-	14,835
42,745	(42,745)	-	(33,884)	(33,884)
1,530,163	(28,803)	1,501,360	235,209	1,736,569
254,495	34,250	288,745	90,499	379,244
2,050,327	3,159,622	5,209,949	(1,555,241)	3,654,708
\$ 2,304,822	\$ 3,193,872	\$ 5,498,694	\$ (1,464,742)	\$ 4,033,952

CITY OF ROOSEVELT PARK

Governmental Funds

Balance Sheet

November 30, 2004

ASSETS	General	Major Streets	Local Streets
Cash and cash equivalents (note A5 and B)	\$ -	\$ -	\$ 31,785
Investments (note A5 and B)	639,148	21,322	17,066
Receivables			
Accounts	847	-	-
Special assessments	1,079	-	-
Due from other funds (note D)	-	156,379	4,434
Due from other governmental units	60,534	24,225	9,254
Prepaid expenses (note A8)	18,326	-	-
TOTAL ASSETS	\$ 719,934	\$ 201,926	\$ 62,539
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 32,107	\$ 5,666	\$ 4,854
Accrued liabilities	14,912	-	-
Due to other funds (note D)	156,379	4,434	-
Due to component unit (note D)	168,076	-	-
Due to other governmental units	-	3,210	-
Deferred revenue (note A3)	584	-	-
Total liabilities	372,058	13,310	4,854
Fund balances (note A12)			
Reserved for prepaid items	18,326	-	-
Unreserved			
Undesignated, reported in			
General fund	329,550	-	-
Special revenue funds	-	188,616	57,685
Capital projects funds	-	-	-
Total fund balances	347,876	188,616	57,685
TOTAL LIABILITIES AND FUND BALANCES	\$ 719,934	\$ 201,926	\$ 62,539

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 17,567	\$ 49,352
-	677,536
-	847
3,834	4,913
-	160,813
-	94,013
-	18,326
<hr/>	
\$ 21,401	\$ 1,005,800

\$ 35	\$ 42,662
-	14,912
-	160,813
-	168,076
-	3,210
3,834	4,418
<hr/>	
3,869	394,091

-	18,326
---	--------

-	329,550
11,617	257,918
5,915	5,915
<hr/>	
17,532	611,709
<hr/>	
\$ 21,401	\$ 1,005,800

CITY OF ROOSEVELT PARK

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities November 30, 2004

Total governmental fund balances	\$	611,709
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$	1,751,136
Accumulated depreciation		<u>(364,955)</u>
		1,386,181
Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.		
		4,418
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences		(61,636)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.		
		<u>364,150</u>
Net assets of governmental activities	\$	<u>2,304,822</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended November 30, 2004

	General	Major Streets	Local Streets
Revenues			
Property taxes	\$ 1,061,389	\$ -	\$ -
Licenses and permits	86,646	-	-
State shared revenues	345,708	167,988	64,127
Federal revenue	-	212,098	-
Reimbursements	453,927	-	-
Fines and forfeits	11,939	-	-
Interest	36,143	1,094	942
Other	20,413	10,080	150
Net decrease in the fair value of investments	(11,584)	(365)	(292)
Total revenues	2,004,581	390,895	64,927
Expenditures			
Current			
Legislative	15,358	-	-
General government	476,721	57,918	28,281
Public safety	908,532	-	-
Public works	624,326	406,818	45,628
Culture and recreation	42,001	-	-
Other governmental functions	16,527	-	-
Capital outlay	12,598	-	-
Total expenditures	2,096,063	464,736	73,909
Excess (deficiency) of revenues over expenditures	(91,482)	(73,841)	(8,982)
Other financing sources			
Transfers in	76,000	42,745	-
Transfers in - component unit	23,000	-	10,884
Total other financing sources	99,000	42,745	10,884
Excess (deficiency) of revenues and other sources over expenditures	7,518	(31,096)	1,902
Fund balances at beginning of year	340,358	219,712	55,783
Fund balances at end of year	\$ 347,876	\$ 188,616	\$ 57,685

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds		Total Governmental Funds	
\$	-	\$	1,061,389
	-		86,646
	-		577,823
	-		212,098
	-		453,927
	-		11,939
	345		38,524
	16,247		46,890
	-		(12,241)
	16,592		2,476,995
	-		15,358
	-		562,920
	-		908,532
	-		1,076,772
	12,962		54,963
	-		16,527
	-		12,598
	12,962		2,647,670
	3,630		(170,675)
	-		118,745
	-		33,884
	-		152,629
	3,630		(18,046)
	13,902		629,755
\$	17,532	\$	611,709

CITY OF ROOSEVELT PARK

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended November 30, 2004

Net change in fund balances - total governmental funds	\$	(18,046)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	\$	368,967
Current year depreciation		<u>(42,679)</u>
		326,288
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Change in long-term compensated absences		(2,561)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.		
		<u>(51,186)</u>
<u>Change in net assets of governmental activities</u>	<u>\$</u>	<u>254,495</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Proprietary Funds

Statement of Fund Net Assets

November 30, 2004

	Business-Type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
ASSETS				
Current assets				
Cash and cash equivalents (note A5 and B) \$	66,679 \$	- \$	66,679 \$	58,160
Investments (note A5 and B)	282,510	420,770	703,280	40,269
Accounts receivable	102,834	160,265	263,099	-
Due from other funds (note D)	-	-	-	129,545
Prepaid items (note A8)	842	860	1,702	-
Inventories (note A8)	-	3,000	3,000	400
Total current assets	452,865	584,895	1,037,760	228,374
Noncurrent assets				
Wastewater facility rights (net of accumulated amortization of \$407,396) (note J)	97,415	-	97,415	-
Capital assets (note A9 and C)				
Land, construction in progress and other assets not being depreciated	-	105,256	105,256	-
Other capital assets, net of depreciation	1,883,088	508,292	2,391,380	136,654
Total capital assets	1,883,088	613,548	2,496,636	136,654
Total noncurrent assets	1,980,503	613,548	2,594,051	136,654
TOTAL ASSETS	\$ 2,433,368	\$ 1,198,443	\$ 3,631,811	\$ 365,028

The notes to the financial statements are an integral part of this statement.

LIABILITIES AND NET ASSETS	Business-Type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
Liabilities				
Current liabilities				
Current maturities of long-term debt	\$ 45,000	\$ -	\$ 45,000	\$ -
Accounts payable	14,728	4,104	18,832	878
Accrued liabilities	5,123	-	5,123	-
Due to other funds (note D)	-	129,545	129,545	-
Due to other governmental units	32,327	53,011	85,338	-
Total current liabilities	97,178	186,660	283,838	878
Noncurrent liabilities				
Long-term debt, less current maturities (note A10, A11 and F)	154,101	-	154,101	-
Total liabilities	251,279	186,660	437,939	878
Net assets				
Invested in capital assets, net of related debt	1,781,402	613,548	2,394,950	136,654
Unrestricted	400,687	398,235	798,922	227,496
Total net assets	2,182,089	1,011,783	3,193,872	364,150
TOTAL LIABILITIES AND NET ASSETS	\$ 2,433,368	\$ 1,198,443	\$ 3,631,811	\$ 365,028

CITY OF ROOSEVELT PARK

Proprietary Funds

Statement of Revenues, Expenditures and Changes in Fund Net Assets

Year Ended November 30, 2004

	Business-Type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
Operating revenues				
Charges for services	\$ 438,216	\$ 664,899	\$ 1,103,115	\$ -
Fines and penalties	4,408	6,178	10,586	-
Equipment rentals	-	-	-	130,532
Other	7,547	296	7,843	1,090
Total operating revenues	450,171	671,373	1,121,544	131,622
Operating expenses				
Contractual services	301,198	341,761	642,959	-
Salary reimbursements	12,912	41,739	54,651	18,376
Materials and supplies	8,940	14,519	23,459	25,649
Repairs	2,225	-	2,225	17,715
Rentals	59,907	60,548	120,455	-
Other	373	2,063	2,436	-
Administrative fees	55,000	55,000	110,000	6,000
Depreciation and amortization	74,911	10,890	85,801	46,872
Total operating expenses	515,466	526,520	1,041,986	114,612
Operating income (loss)	(65,295)	144,853	79,558	17,010
Nonoperating revenues (expenses)				
Interest income	10,153	14,947	25,100	1,602
Net decrease in fair value of investments	(4,519)	(6,639)	(11,158)	(634)
Gain on sale of capital assets	-	-	-	6,836
Interest expense	(16,505)	-	(16,505)	-
Total nonoperating revenues (expenses)	(10,871)	8,308	(2,563)	7,804
Income (loss) before transfers	(76,166)	153,161	76,995	24,814
Transfers				
Transfers out	-	(42,745)	(42,745)	(76,000)
Change in net assets	(76,166)	110,416	34,250	(51,186)
Net assets at beginning of year	2,258,255	901,367	3,159,622	415,336
Net assets at end of year	\$ 2,182,089	\$ 1,011,783	\$ 3,193,872	\$ 364,150

The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Proprietary Funds

Statement of Cash Flows

Year Ended November 30, 2004

	Business-Type Activities	
	Sewer	Water
Cash flows from operating activities		
Receipts from customers	\$ 450,288	\$ 609,067
Receipts from interfund services provided	-	-
Payments to suppliers	(290,627)	(338,399)
Payments to employees	(12,912)	(41,739)
Payments for internal services used	(34,420)	(66,490)
Net cash provided by operating activities	112,329	162,439
Cash flows from non-capital financing activities		
Transfers out	-	(42,745)
Cash flows from capital and related financing activities		
Purchase of capital assets	-	(97,979)
Proceeds from sale of capital assets	-	-
Principal paid on long-term debt	(46,124)	-
Interest paid on long-term debt	(6,148)	-
Net cash used for capital and related financing activities	(52,272)	(97,979)
Cash flows from investing activities		
Investment income	5,634	8,308
Increase in investments	(20,247)	(30,023)
Net cash used for investing activities	(14,613)	(21,715)
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,444	-
Cash and cash equivalents at beginning of year	21,235	-
Cash and cash equivalents at end of year	\$ 66,679	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (65,295)	\$ 144,853
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	74,911	10,890
(Increase) decrease in		
Accounts receivable	117	(62,306)
Due from other funds	80,487	-
Prepaid items	(5,051)	-
Increase in		
Accounts payable	14,266	392
Due to other funds	-	49,058
Due to other governmental units	12,894	19,552
Net cash provided by operating activities	\$ 112,329	\$ 162,439

The notes to the financial statements are an integral part of this statement.

Business-Type Activities	Governmental Activities
Totals	Internal Service
\$ 1,059,355	\$ -
-	290,515
(629,026)	(42,616)
(54,651)	(18,376)
(100,910)	(6,000)
274,768	223,523
(42,745)	(76,000)
(97,979)	(97,961)
-	10,500
(46,124)	-
(6,148)	-
(150,251)	(87,461)
13,942	968
(50,270)	(2,870)
(36,328)	(1,902)
45,444	58,160
21,235	-
\$ 66,679	\$ 58,160
\$ 79,558	\$ 17,010
85,801	46,872
(62,189)	-
80,487	158,893
(5,051)	
14,658	748
49,058	-
32,446	-
\$ 274,768	\$ 223,523

CITY OF ROOSEVELT PARK

Fiduciary Fund

Statement of Fiduciary Assets and Liabilities

November 30, 2004

	Tax Collector Fund
ASSETS	
Cash and cash equivalents (note A5 and B)	\$ 104,922
LIABILITIES	
Due to other governmental units	\$ 103,404
Other liabilities	1,518
TOTAL LIABILITIES	\$ 104,922

The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Discretely Presented Component Unit

Downtown Development Authority

Balance Sheet

November 30, 2004

ASSETS	General	Debt Service	Totals
Cash and cash equivalents (note A5 and B)	\$ 9,713	\$ -	\$ 9,713
Investments (note A5 and B)	99,719	-	99,719
Due from primary government (note D)	168,076		168,076
TOTAL ASSETS	\$ 277,508	\$ -	\$ 277,508
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 250	\$ -	\$ 250
Fund balances (note A12)			
Unreserved	277,258	-	277,258
TOTAL LIABILITIES AND FUND BALANCES	\$ 277,508	\$ -	\$ 277,508

The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Discretely Presented Component Unit

Reconciliation of Total Discretely Presented Component Unit Fund Balances to

Net Assets of Discretely Presented Component Unit Activities

November 30, 2004

Total discretely presented component unit fund balances	\$	277,508
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Amounts reported for discretely presented component unit activities in the statement of net assets are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the discretely presented component unit funds.

Discretely presented component unit bonds payable	\$	(1,730,000)	
Accrued interest on the bonds		(12,000)	(1,742,000)

Net assets of discretely presented component unit activities	\$	(1,464,492)
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The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Discretely Presented Component Unit

Downtown Development Authority

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended November 30, 2004

	General	Debt Service	Totals
Revenues			
Property taxes	\$ 268,257	\$ -	\$ 268,257
Interest	1,117	-	1,117
Net decrease in fair value of investments	(281)	-	(281)
Total revenues	269,093	-	269,093
Expenditures			
Current			
General government	23,200	-	23,200
Public safety	30,000	-	30,000
Public works	15,960	-	15,960
Other governmental functions	2,500	-	2,500
Debt service			
Principal	-	50,000	50,000
Interest	-	73,250	73,250
Total expenditures	71,660	123,250	194,910
Excess (deficiency) of revenues over expenditures	197,433	(123,250)	74,183
Other financing sources (uses)			
Transfers in - component unit	-	123,250	123,250
Transfers out - primary government	(33,884)	-	(33,884)
Transfers out - component unit	(123,250)	-	(123,250)
Total other financing sources (uses)	(157,134)	123,250	(33,884)
Excess of revenues and other sources over expenditures and other uses	40,299	-	40,299
Fund balances at beginning of year	236,959	-	236,959
Fund balances at end of year	\$ 277,258	\$ -	\$ 277,258

The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Discretely Presented Component Unit

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balances of Discretely Presented Component Units to the Statement of Activities

Year Ended November 30, 2004

Net change in fund balances - total discretely presented component unit funds	\$	40,299
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Amounts reported for discretely presented component unit activities
in the statement of activities are different because:

The issuance of long-term debt provides current financial resources to discretely presented component unit funds, while the repayment of the principal of long-term debt consumes the current financial resources of discretely presented component unit funds.

Neither transaction, however, has any effect on net assets.

Principal payments	\$	50,000	
Change in accrued interest		200	50,200

Change in net assets of discretely presented component unit activities	\$	90,499
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The notes to the financial statements are an integral part of this statement.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements

November 30, 2004

Note A - Summary of Significant Accounting Policies

The accounting policies of the City of Roosevelt Park, Michigan, (city), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to cities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the city the option of electing to apply FASB pronouncements issued after November 30, 1989. The city has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the city are discussed below.

The city adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of December 1, 2003. Certain of the significant changes in GASB 34 include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the city's overall financial position and the results of operation.
- Government-wide financial statements prepared using full accrual accounting for all of the city's activities including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on major funds.

The city also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of December 1, 2003. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the city's funds as of and for the year ended November 30, 2004, but did change some of the disclosures required for the notes to the financial statements.

1. Financial Reporting Entity

The City of Roosevelt Park, Michigan was incorporated in 1946. The city operates under a Council-Manager form of government and provides the following services as authorized by its charter: legislative, general government, public safety (police and fire), public works, recreation and culture, public improvement, and general administration services.

As required by generally accepted accounting principles, Governmental Accounting Standards Board (GASB) Statement 14, the financial statements present the city (the primary government) and its component units, entities for which the city is considered to be financially accountable. The discretely presented component unit has a November 30 year end.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

1. Financial Reporting Entity (continued)

Discretely Presented Component Unit

The component unit's column in the basic financial statements contains the financial data of the city's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the city.

•City of Roosevelt Park Downtown Development Authority (DDA)

The authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the city's downtown district. Members of the DDA are appointed by the city and the authority is fiscally dependent on the city since the council approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

Joint Venture

•Central Operations for Police Services

The city is a member of an area-wide central dispatch system, Central Operations for Police Services. It is a joint venture of nine governmental units governed by a board composed of representatives of the participants. It is financed through an emergency telephone surcharge to the public and through annual member assessments based on population, composite state equalized valuation of property and the average of service calls placed. The city does not report an equity interest in this joint venture in these financial statements because the city does not have an explicit and measurable right to the joint venture's resources. The city is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the September 30, 2004, audit report of Central Operations for Police Services follows:

Current and other assets	\$	5,844,859
Capital assets		1,559,534
<u>Total assets</u>	<u>\$</u>	<u>7,404,393</u>
Long-term liabilities	\$	4,183,841
Other liabilities		616,287
<u>Total liabilities</u>	<u>\$</u>	<u>4,800,128</u>
Net assets		
Invested in capital assets	\$	437,492
Restricted		1,226,902
Unrestricted		939,871
<u>Total net assets</u>	<u>\$</u>	<u>2,604,265</u>

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

1. Financial Reporting Entity (continued)

Joint Venture (continued)

Revenues	\$	3,486,649
Expenses		(2,131,433)
Change in net assets	\$	1,355,216

Complete financial statements for Central Operations for Police Services can be obtained from their administrative office at 860 Terrace Street, Muskegon, Michigan 49443.

2. Basis of Accounting - Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the city as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the city and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the city.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

The city reports the following major funds:

General Fund

The general fund is the general operating fund of the city. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds

Major Streets Fund - To account for gas and weight tax allocations to the city by the Michigan Department of Transportation for construction and maintenance of major streets within the city.

Local Streets Fund - To account for gas and weight tax allocations to the city by the Michigan Department of Transportation for construction and maintenance of local streets within the city.

Enterprise Funds

Sewer Fund - To account for user charges, operating expenses and debt service of the city's sewer disposal system.

Water Fund - To account for user charges, operating expenses and debt service of the city's water supply system.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements (continued)

The following is a description of the three major categories and various fund types within those categories into which the funds are grouped:

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months of year end. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition

The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the city:

General Fund

The general fund is the general operating fund of the city. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements (continued)

Governmental Funds (continued)

Capital Projects Funds

Capital projects funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and of the city's internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the city:

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Internal Service Funds

Internal service funds are used to record the financing of goods or services provided by the city to other departments and funds or to other governmental units on a cost reimbursement basis.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements (continued)

Fiduciary Funds (Not Included in Government-Wide Financial Statements)

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support city programs.

Agency Funds

Agency funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The city follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 31, the city manager submits to the city council a proposed operating budget for the fiscal year commencing on December 1. The operating budget includes proposed expenditures and the means of financing them.

- A public hearing is conducted at the city hall to obtain taxpayer comments.

- The budget is legally adopted by resolution no later than October 31.

- The city manager is authorized to transfer budgeted amounts between accounts within the same department of any fund upon written request by a departmental head. The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the city council.

- Budgeted amounts are presented as originally adopted, or as amended by the city council before November 30, 2004. Individual amendments were not material in relation to the original appropriations which were amended.

- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.

- Appropriations are authorized by ordinance generally at the department level. Administrative control is maintained through the establishment of a more detailed line-item budget.

- Budgets as presented are prepared on the modified accrual basis of accounting.

- All budgetary appropriations lapse at the end of the year.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Principles (continued)

5. Deposits and Investments

Statutes authorized the primary government and component units to deposit and invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures no more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptances of United States banks.
- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The city maintains a cash pool that is available for use by all funds and the component unit. Each fund types' or component unit's portion of the pool is reported as 'cash and cash equivalents.'

The city council has authorized the primary government and component unit to invest in governmental securities investment funds. The city's investment in these funds is classified as 'investments'.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown as net of allowance for uncollectible amounts.

7. Property Taxes

Property taxes attach as enforceable liens on property as of December 31. Taxes are levied on December 1 and are payable from the date of levy through February 14 and are recognized as revenue when they are levied. The city bills and collects its own property taxes and also taxes for the county and the school district in the city. Collections of taxes and remittance of them to other taxing authorities are accounted for in the tax collector fund.

The 2003 adjusted taxable value of the city totaled \$102,157,081 on which ad valorem taxes levied consisted of 11.600 mills for the general operations of the city.

The 2003 state equalized valuation of the city was \$120,963,800.

8. Inventories and Prepaid Items

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

9. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Water and sewage systems	20 - 50
Buildings and improvements	10 - 40
Motor vehicles and equipment	3 - 20
Infrastructure	5 - 20

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

10. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The city follows the accounting and reporting principles outlined in GASB 16, with regard to employee vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, a liability for these amounts is reported in the governmental funds only for employee terminations as of year-end. Vested compensated absences in the proprietary funds are accrued in full.

11. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose. Reserves exist for prepaid items as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note B - Cash, Cash Equivalents and Investments

Deposits

At year end, the carrying amount of the city's deposits was \$923,817 and the bank balance was \$995,033. Of the bank balance, \$735,879 was covered by federal depository insurance and \$259,154 was uninsured and uncollateralized.

Deposits are categorized below according to level of credit risk:

- Category 1 represents insured or collateralized deposits with securities held by the city or by its agent in the city's name.
- Category 2 represents collateralized deposits with securities held by the pledging financial institution's trust department or agent in the city's name.
- Category 3 represents uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the city's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 100,000	\$ -	\$ 219,406	\$ 319,406	\$ 253,341
Time deposits	635,879	-	39,748	675,627	670,476
	<u>\$ 735,879</u>	<u>\$ -</u>	<u>\$ 259,154</u>	<u>\$ 995,033</u>	<u>\$ 923,817</u>

Investments

Investments are categorized below to give an indication of the level of risk assumed by the entity at year end:

- Category 1 includes investments that are insured or registered, or for which the securities are held by the city or by its agent in the city's name.
- Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the city's name.
- Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the city's name.

	Category			Carrying Amount
	1	2	3	
U.S. Government Securities	\$ 850,329	\$ -	\$ -	\$ 850,329

Items not subject to categorization:

Money market funds

35,484
<u>\$ 885,813</u>

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note B - Cash, Cash Equivalents and Investments (continued)

Total deposits and investments at November 30, 2004, were \$1,809,630 and are presented as follows:

<u>Balance Sheet Classification</u>	<u>Total</u>
Governmental Funds Balance Sheet	
Cash and cash equivalents	\$ 49,352
Investments	677,536
Statement of Fund Net Assets - Proprietary Funds	
Enterprise funds	
Cash and cash equivalents	66,679
Investments	703,280
Internal Service Funds	
Cash and cash equivalents	58,160
Investments	40,269
Statement of Fiduciary Net Assets - Fiduciary Funds	
Cash and cash equivalents	104,922
Discretely Presented Component Unit Balance Sheet	
Cash and cash equivalents	9,713
Investments	99,719
	<u>\$ 1,809,630</u>

Note C - Capital Assets

Capital asset activity for the year ended November 30, 2004 was as follows:

	<u>Balance</u> <u>December 1,</u> <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>November 30,</u> <u>2004</u>
Governmental activities				
Capital assets being depreciated				
Land improvements	\$ 57,023	\$ -	\$ -	\$ 57,023
Buildings and improvements	805,520	-	-	805,520
Vehicles and equipment	781,658	110,561	(95,905)	796,314
Total capital assets being depreciated	1,644,201	110,561	(95,905)	1,658,857
 Less accumulated depreciation				
Land improvements	54,013	1,003	-	55,016
Buildings and improvements	235,041	20,138	-	255,179
Vehicles and equipment	501,173	68,410	(92,241)	477,342
Total accumulated depreciation	790,227	89,551	(92,241)	787,537

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note C - Capital Assets (continued)

	Balance December 1, 2003	Additions	Deletions	Balance November 30, 2004
Net capital assets being depreciated	\$ 853,974	\$ 21,010	(3,664)	\$ 871,320
Capital assets not being depreciated				
Land	295,147	-	-	295,147
Construction in progress	-	356,368	-	356,368
Total capital assets not being depreciated	295,147	356,368	-	651,515
Total governmental activities capital assets net of depreciation	\$ 1,149,121	\$ 377,378	(3,664)	\$ 1,522,835
Business-type activities				
Capital assets being depreciated				
Sewer system	\$ 2,657,061	\$ -	\$ -	\$ 2,657,061
Water system	892,479	-	-	892,479
Total capital assets being depreciated	3,549,540	-	-	3,549,540
Less accumulated depreciation				
Sewer system	739,765	34,208	-	773,973
Water system	373,297	10,890	-	384,187
Total accumulated depreciation	1,113,062	45,098	-	1,158,160
Net capital assets being depreciated	2,436,478	(45,098)	-	2,391,380
Capital assets not being depreciated				
Land	600	-	-	600
Construction in progress	-	104,656	-	104,656
Total capital assets not being depreciated	600	104,656	-	105,256
Total business-type activities capital assets net of depreciation	\$ 2,437,078	\$ 59,558	-	\$ 2,496,636

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note C - Capital Assets (continued)

Depreciation was charged to programs of the city as follows:

Governmental activities		
General government	\$	12,694
Public safety		15,070
Public works		4,664
Recreation and culture		10,251
Internal service fund depreciation is charged to the various programs based on their usage of the assets		
		46,872
<hr/>		
Total governmental activities depreciation expense	\$	89,551
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Business-type activities		
Sewer	\$	34,208
Water		10,890
<hr/>		
Total business-type activities depreciation expense	\$	45,098
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CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note D - Interfund Receivables and Payables

The amounts of interfund receivables and payables at November 30, 2004, were as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Primary Government		Primary Government	
Major Streets	\$ 156,379	General	\$ 156,379
Local Streets	4,434	Major Streets	4,434
Equipment	129,545	Water	129,545
Total Primary Government	290,358	Total Primary Government	290,358
Component Unit		Primary Government	
Downtown Development			
Authority	168,076	General	168,076
Total Reporting Entity	\$ 458,434		\$ 458,434

Note E - Interfund Transfers

Interfund transfers consisted of the following at November 30, 2004:

Fund	Transfers In	Fund	Transfers Out
Primary Government		Primary Government	
General	\$ 76,000	Equipment	\$ 76,000
Major Streets	42,745	Water	42,745
Primary Government		Component Unit	
General	23,000	Downtown Development	
Local Streets	10,884	Authority	33,884
	33,884		33,884
Component Unit		Component Unit	
Downtown Development		Downtown Development	
Authority - Debt Service	123,250	Authority	123,250
Total Reporting Entity	\$ 275,879	Total Reporting Entity	\$ 275,879

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note F - Long-Term Debt

Long-term debt at November 30, 2004, consisted of the following:

Governmental Activities

Compensated Absences	\$	61,636
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Business-Type Activities

\$334,675 - Muskegon County Wastewater Management System - Number One, \$13,750,000 Refunding Bond Issue of 1996; due in one installment of \$40,161 including interest at 5.70% on July 2005.	\$	40,161
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\$170,136 - Muskegon County Wastewater Management System - Number One, Refunding Bond Issue of 2002; due in annual installments of \$4,868 to \$51,844 through July 2008; interest at 2.25% to 5.00%.	158,940
Total business-type activities long-term liabilities	\$ 199,101

Total primary government long-term liabilities	\$ 260,737
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Discretely Presented Component Unit

\$1,825,000 - 2002 General Obligation Limited Tax Bonds; due in annual installments of \$50,000 to \$225,000 through October 2018; interest at 2.75% to 4.70%.	\$ 1,730,000
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Total reporting entity long-term liabilities	\$ 1,990,737
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The annual requirements to amortize all bonds and loans outstanding as of November 30, 2004, including interest of \$721,328 follows:

Years ending November 30,	Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest
2005	\$ 45,029	\$ 10,103	\$ 50,000	\$ 71,875
2006	51,844	7,704	65,000	70,500
2007	51,357	5,111	75,000	68,582
2008	50,871	2,545	75,000	66,183
2009	-	-	75,000	63,557
2010 - 2014	-	-	605,000	260,918
2015 - 2019	-	-	785,000	94,250
	\$ 199,101	\$ 25,463	\$ 1,730,000	\$ 695,865

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note F - Long-Term Debt (continued)

The following is a summary of bonds and loans and compensated absences transactions for the year ended November 30, 2004:

	Balance December 1, 2003	Additions	Repayments	Balance November 30, 2004
Primary government				
Long-term compensated absences	\$ 59,075	\$ 2,561	\$ -	\$ 61,636
Business-type bonds and loans	245,225	-	(46,124)	199,101
Component unit bonds and loans	1,780,000	-	(50,000)	1,730,000
	\$ 2,084,300	\$ 2,561	\$ (96,124)	\$ 1,990,737

Note G - Defined Benefit Pension Plan

Description of Plan and Plan Assets

The city is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty death allowances and post-retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the retirement system. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 Canal Road, Lansing, MI 48917-9755.

Funding Policy

Plan members are not required to contribute to the plan. The city is required to contribute at an actuarially determined rate; the current rate is none to 16.53% of annual covered payroll depending on the plan. The contribution requirements of plan members and the city are established and may be amended by MERS.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note G - Defined Benefit Pension Plan (continued)

Annual Pension Cost

For the year ended November 30, 2004, the city's contributions totaling \$99,458 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined using the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used included (a) 8.0% long-term net investment rate of return, (b) projected salary increases ranging from 0.00% to 4.16% per year and (c) 4.50% per year cost-of-living adjustments. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Fiscal Year Ended November 30,	Trend Information		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
2002	\$ 65,620	100%	\$ -
2003	93,966	100%	-
2004	99,458	100%	-

Note H - Contingent Liabilities

The city is party to various legal proceedings and claims which normally occur in governmental operations. Although the outcome of these legal proceedings and claims is not presently determinable, it is the opinion of the city's management that the resolution of these matters will not have a material adverse effect on the financial condition of the city.

Note I - Risk Management

The city is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The city manages its liability and property risk by participating in Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The city pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note I - Risk Management (continued)

The city manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The city pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The city carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note J - Wastewater Facility Rights

The city is a participant in the Muskegon County Wastewater Management System, a wastewater treatment facility owned and operated by the county. Members are charged usage fees based on the volume of wastewater treated. In addition, each member municipality has pledged its full faith and credit in repayment of their allocated shares of long-term debt of the system.

The city accounts for the group of transactions substantially in accordance with APB 17, Intangible Assets. The contract payable to Muskegon County is presented as long-term debt. The city's investment in the intangible asset is presented as wastewater rights.

The investment in wastewater rights is amortized over the life of the debt issue.

Note K - Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended November 30, 2004 the city incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

Fund	Amended Budget	Amount of Expenditures	Budget Variance
General			
Public safety	\$ 890,529	\$ 908,532	\$ (18,003)
Major Streets			
General government	45,075	57,918	(12,843)

All expenditures over appropriations have either been paid by operating transfers from other funds or by the reduction of the current fund balance.

CITY OF ROOSEVELT PARK

Notes to the Financial Statements - Continued

November 30, 2004

Note L - State Construction Code Act

State Construction Code Act

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or construction board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services.

The fees generated by the city's enforcing agencies and the costs of providing those services were as follows for the year ended November 30, 2004:

Revenues	
Building permits	\$ 30,640
Plumbing permits	2,511
Mechanical permits	3,358
Electrical permits	4,698
<u>Total revenues</u>	<u>41,207</u>
Expenditures	
Salaries and wages	15,279
Payroll taxes and fringe benefits	1,422
Contractual services	9,106
Conferences and workshops	345
Books and periodicals	41
<u>Total expenditures</u>	<u>26,193</u>
Excess of revenues under expenditures	15,014
<u>Deficiency from prior year</u>	<u>(16,900)</u>
<u>Deficiency at end of year</u>	<u>\$ (1,886)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROOSEVELT PARK

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended November 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Property taxes				
Current real property	\$ 928,304	\$ 928,304	\$ 927,937	\$ (367)
Current personal property	108,119	108,119	125,572	17,453
Industrial facilities	2,000	2,000	2,759	759
Collection fee	5,000	5,000	5,121	121
Total property taxes	1,043,423	1,043,423	1,061,389	17,966
Licenses and permits				
Cable television fees	34,000	34,000	36,304	2,304
Business licenses	4,200	4,200	5,065	865
Planning commission	1,000	1,000	1,200	200
Building permits	19,800	19,800	30,640	10,840
Electrical permits	3,500	3,500	4,698	1,198
Plumbing permits	2,500	2,500	2,511	11
Mechanical permits	3,500	3,500	3,358	(142)
Other fees	700	700	2,870	2,170
Total licenses and permits	69,200	69,200	86,646	17,446
State shared revenues				
State sales tax	376,744	376,744	342,175	(34,569)
Liquor licenses	3,400	3,400	3,533	133
Total state shared revenues	380,144	380,144	345,708	(34,436)
Reimbursements	447,700	447,700	453,927	6,227
Fines and forfeits				
District court	6,500	6,500	11,339	4,839
Parking fines	400	400	600	200
Total fines and forfeits	6,900	6,900	11,939	5,039
Special assessments	500	500	-	(500)
Interest	23,000	23,000	36,143	13,143
Other	18,500	18,500	20,413	1,913
Net decrease in fair value of investments	-	-	(11,584)	(11,584)
Total revenues	1,989,367	1,989,367	2,004,581	15,214

CITY OF ROOSEVELT PARK

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - Continued

Year Ended November 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures				
Legislative				
City council	\$ 22,971	\$ 22,971	\$ 15,358	\$ 7,613
General government				
City manager	95,271	95,271	92,255	3,016
Assessor	26,542	27,647	26,911	736
Attorney	18,000	27,000	26,048	952
Clerk	70,554	70,554	65,240	5,314
Office operations	86,428	86,428	82,165	4,263
Treasurer	64,752	64,752	64,201	551
Personnel	46,453	47,253	47,878	(625)
City hall, garages and grounds	79,300	79,300	72,023	7,277
Total general government	487,300	498,205	476,721	21,484
Public safety				
Police department	595,498	595,498	622,460	(26,962)
Fire department	261,658	261,658	259,880	1,778
Building inspector	26,248	26,248	18,889	7,359
Electrical inspector	2,625	2,625	2,946	(321)
Plumbing inspector	4,500	4,500	4,357	143
Total public safety	890,529	890,529	908,532	(18,003)
Public works				
Public service	452,446	452,446	452,723	(277)
Sidewalks	11,500	11,500	4,030	7,470
Sanitation department	165,514	165,514	167,573	(2,059)
Total public works	629,460	629,460	624,326	5,134
Culture and recreation				
Parks	38,293	43,293	42,001	1,292
Other governmental functions				
Other	16,865	16,865	16,527	338

CITY OF ROOSEVELT PARK

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - Continued

Year Ended November 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures (continued)				
Capital outlay				
General government	\$ 12,600	\$ 12,600	\$ 12,598	\$ 2
Total expenditures	2,098,018	2,113,923	2,096,063	17,860
Deficiency of revenues under expenditures	(108,651)	(124,556)	(91,482)	33,074
Other financing sources				
Transfers in	76,000	76,000	76,000	-
Transfers in - component unit	23,000	23,000	23,000	-
Total other financing sources	99,000	99,000	99,000	-
Excess of revenues and other sources over expenditures	(9,651)	(25,556)	7,518	33,074
Fund balances at beginning of year	340,358	340,358	340,358	-
Fund balances at end of year	\$ 330,707	\$ 314,802	\$ 347,876	\$ 33,074

CITY OF ROOSEVELT PARK

Major Streets Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended November 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
State shared revenues	\$ 171,903	\$ 171,903	\$ 167,988	\$ (3,915)
Federal revenue	222,835	222,835	212,098	(10,737)
Interest	600	600	1,094	494
Other	10,000	10,000	10,080	80
Net decrease in fair value of investments	-	-	(365)	(365)
Total revenues	405,338	405,338	390,895	(14,443)
Expenditures				
General government				
Salary reimbursements	25,000	25,000	43,985	(18,985)
Administration fees	20,000	20,000	13,933	6,067
Other	75	75	-	75
Total general government	45,075	45,075	57,918	(12,843)
Public works				
Construction	399,523	399,523	345,484	54,039
Routine maintenance	14,500	14,500	14,809	(309)
Traffic services	5,100	8,100	7,023	1,077
Winter maintenance	17,500	20,000	18,243	1,757
Care of trees	9,400	9,400	10,993	(1,593)
Storm drains	5,100	10,300	10,266	34
Total public works	451,123	461,823	406,818	55,005
Total expenditures	496,198	506,898	464,736	42,162
Deficiency of revenues under expenditures	(90,860)	(101,560)	(73,841)	27,719
Other financing sources				
Transfers in	-	-	42,745	42,745
Deficiency of revenues and other sources under expenditures	(90,860)	(101,560)	(31,096)	70,464
Fund balances at beginning of year	219,712	219,712	219,712	-
Fund balances at end of year	\$ 128,852	\$ 118,152	\$ 188,616	\$ 70,464

CITY OF ROOSEVELT PARK

Local Streets Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

Year Ended November 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
State shared revenues	\$ 66,154	\$ 66,154	\$ 64,127	\$ (2,027)
Interest	500	500	942	442
Other	-	-	150	150
Net decrease in fair value of investments	-	-	(292)	(292)
Total revenues	66,654	66,654	64,927	(1,727)
Expenditures				
General government				
Salary reimbursements	22,000	22,000	22,963	(963)
Administration fees	10,000	10,000	5,318	4,682
Other	65	65	-	65
Total general government	32,065	32,065	28,281	3,784
Public works				
Routine maintenance	17,000	17,000	15,751	1,249
Traffic services	250	250	-	250
Winter maintenance	14,000	14,000	13,669	331
Care of trees	9,500	9,500	8,677	823
Storm drains	750	7,900	7,531	369
Total public works	41,500	48,650	45,628	3,022
Total expenditures	73,565	80,715	73,909	6,806
Deficiency of revenues under expenditures	(6,911)	(14,061)	(8,982)	5,079
Other financing sources				
Transfers in	1,000	1,000	-	(1,000)
Transfers in - component unit	-	-	10,884	10,884
Total other financing sources	1,000	1,000	10,884	9,884
Excess (deficiency) of revenues and other sources over expenditures	(5,911)	(13,061)	1,902	14,963
Fund balances at beginning of year	55,783	55,783	55,783	-
Fund balances at end of year	\$ 49,872	\$ 42,722	\$ 57,685	\$ 14,963

CITY OF ROOSEVELT PARK

Schedule of Funding Progress

Municipal Employees Retirement System of Michigan

November 30, 2004

Pension Plans - GASB 27

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated.

<u>Schedule of Funding Progress</u>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Overfunded (Underfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31,	(a)	(b)	(a-b)	(a/b)	(c)	((b-a)/c)
2001	\$ 2,226,396	\$ 2,482,825	\$ (256,429)	90%	\$ 585,288	44%
2002	2,269,132	2,646,526	(377,394)	86%	689,217	55%
2003	2,431,934	2,748,788	(316,854)	88%	685,853	46%

SUPPLEMENTAL FINANCIAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Roosevelt Park Day Fund - To account for revenues and expenditures associated with city's annual Roosevelt Park Day.

CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Special Assessment Fund - To account for special assessment and interest income received used to finance paving projects.

CITY OF ROOSEVELT PARK

Non-Major Governmental Funds

Combining Balance Sheet

November 30, 2004

	Special Revenue	Capital Projects	
	Roosevelt Park Day	Special Assessment	Total
ASSETS			
Cash and cash equivalents	\$ 11,652	\$ 5,915	\$ 17,567
Special assessments receivable	-	3,834	3,834
TOTAL ASSETS	\$ 11,652	\$ 9,749	\$ 21,401
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 35	\$ -	\$ 35
Deferred revenue	-	3,834	3,834
Total liabilities	35	3,834	3,869
Fund balances			
Unreserved			
Undesignated	11,617	5,915	17,532
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,652	\$ 9,749	\$ 21,401

CITY OF ROOSEVELT PARK

Non-Major Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended November 30, 2004

	<u>Special Revenue</u> Roosevelt Park Day	<u>Capital Projects</u> Special Assessment	Total
Revenues			
Interest	\$ -	\$ 345	\$ 345
Other	16,247	-	16,247
Total revenues	16,247	345	16,592
Expenditures			
Recreation and culture	12,962	-	12,962
Excess of revenues over expenditures	3,285	345	3,630
Fund balances at beginning of year	8,332	5,570	13,902
Fund balances at end of year	\$ 11,617	\$ 5,915	\$ 17,532

AGENCY FUND

Agency funds are used to account for assets held by the city in a trustee capacity for individuals, private organizations, other governments or other funds.

Tax Collector Fund - To account for levy, collection and payment of taxes levied for the general and other funds of the city, county and public school district.

CITY OF ROOSEVELT PARK

Agency Fund

Statement of Changes in Assets and Liabilities

November 30, 2004

	Balance December 1, 2003	Additions	Deductions	Balance November 30, 2004
<u>TAX COLLECTOR FUND</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 32,520	\$ 4,380,857	\$ 4,308,455	\$ 104,922
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ 945,112	\$ 945,112	\$ -
Due to component unit	-	268,257	268,257	-
Due to other governmental units	27,068	3,068,614	2,992,278	103,404
Other liabilities	5,452	5,545	9,479	1,518
TOTAL LIABILITIES	\$ 32,520	\$ 4,287,528	\$ 4,215,126	\$ 104,922

SCHEDULE OF INDEBTEDNESS

CITY OF ROOSEVELT PARK

Schedule of Indebtedness

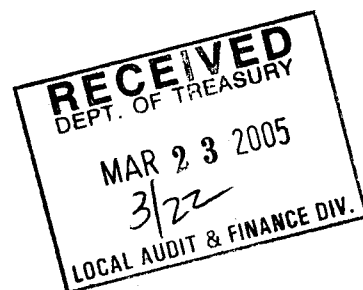
November 30, 2004 and 2003

	Date of Issue	Amount of Issue
Business-Type Activities Bonds and Loans Payable		
Muskegon County Wastewater Management System - Number One, \$13,750,000 Refunding Bond Issue of 1996	1996	\$ 334,675
Muskegon County Wastewater Management System - Number One, Refunding Bond Issue of 2002	2002	170,136
Total Primary Government Bonds and Loans Payable		
Discretely Presented Component Unit Bonds and Loans Payable		
2002 General Obligation Limited Tax Bonds	2002	1,825,000
Total Discretely Presented Component Unit Bonds and Loans Payable		
Total Reporting Entity Bonds and Loans Payable		

Interest Rate	Date of Maturity	Balance Outstanding November 30,		Annual Interest Payable
		2003	2004	
5.10%	2004	\$ 41,013	\$ -	\$ -
5.70	2005	40,161	40,161	2,290
		81,174	40,161	2,290
2.00	2004	5,111	-	-
2.25	2005	4,868	4,868	7,813
5.00	2006	51,844	51,844	7,704
5.00	2007	51,357	51,357	5,111
5.00	2008	50,871	50,871	2,545
		164,051	158,940	23,173
		245,225	199,101	25,463
2.75	2004	50,000	-	-
2.75	2005	50,000	50,000	71,875
2.95	2006	65,000	65,000	70,500
3.20	2007	75,000	75,000	68,582
3.50	2008	75,000	75,000	66,183
3.70	2009	75,000	75,000	63,557
4.00	2010	95,000	95,000	60,783
4.00	2011	100,000	100,000	56,982
4.05	2012	125,000	125,000	52,983
4.20	2013	135,000	135,000	47,920
4.30	2014	150,000	150,000	42,250
4.40	2015	175,000	175,000	35,800
4.50	2016	185,000	185,000	28,100
4.60	2017	200,000	200,000	19,775
4.70	2018	225,000	225,000	10,575
		1,780,000	1,730,000	695,865
		\$ 2,025,225	\$ 1,929,101	\$ 721,328

CITY OF ROOSEVELT PARK
REPORT ON INTERNAL ACCOUNTING CONTROL
AND
MANAGEMENT ADVISORY COMMENTS

November 30, 2004



CITY OF ROOSEVELT PARK

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**CITY OF ROOSEVELT PARK
COUNCIL MEETING
COUNCIL AGENDA**

March 21, 2005

7:15 p.m.

1. Call to Order
2. Pledge of Allegiance
3. Invocation by Mayor Pro Tem Martin
4. Roll Call
5. Setting of the Agenda
6. Approval of:
 - a. Minutes of the March 2, 2005 Special City Council Meeting
 - a. Minutes of the March 7, 2005 City Council Work Session
 - b. Minutes of the March 7, 2005 City Council Meeting
7. List of Bills
8. Communications
9. Old Business
10. New Business
 - a. Public hearing for liquor license renewals
 - b. Receipt of Fiscal Year 2004 audit
 - c. Resolution recommending liquor license renewals
 - d. Accept proposal from Brickley DeLong for conducting annual audit
 - e. Consider internet usage policy
11. City Manager's Report
12. City Attorney's Report
13. Council Member Questions/Comments
14. Department Reports
15. Public Comment/Business from the floor
16. Executive Session –For a strategy negotiation session connected with the negotiation of a collective bargaining agreement [MCL 15.268(c)]
17. Adjournment

To the City Council
City of Roosevelt Park, Michigan

In planning and performing our audit of the financial statements of the City of Roosevelt Park, Michigan for the year ended November 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the ability of the organization to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described on page 5 are believed to be a material weakness.

This report is intended solely for the information and use of city council, management and others within the organization.

Hoffman, Steensma & Plamondon, P.L.C.

January 24, 2005

REPORTABLE CONDITIONS

CITY OF ROOSEVELT PARK

Reportable Conditions

November 30, 2004

CURRENT YEAR RECOMMENDATIONS

Accrued Interest Income

During our examination, we noted that the city had not recorded accrued interest income earned prior to year end on certificates of deposit and other savings accounts. We recommend that interest income be recorded as earned or at least at year end.

Bank Reconciliations

During our examination of internal control procedures, we noted that there is no procedure in place for review and approval of monthly bank reconciliations. We recommend that a member of management, who does not have general ledger access, review and approve the monthly bank reconciliations. We further recommend that the approval be evidenced by signing or initialing on the face of the reconciliation.

Disbursement of Property Tax Collections

During our examination, we noted that property tax collections began in late November 2004, and disbursements to local municipalities were not made until January 2005. Section 43(3)(a) of the General Property Tax Act requires local units with a state equalized value of more than \$5,000,000 to account for and deliver to the county treasurer and other tax assessing units the tax collections on hand on the first and the fifteenth day of each month within 10 business days after the first and fifteenth day of each month. We recommend that tax collections on hand at the first and fifteenth of each month be timely disbursed to the county treasurer and other tax assessing units in compliance with the General Property Tax Act.